

**Enbridge Gas New Brunswick**  
Balance Sheet for Regulatory Purposes  
As at December 31, 2008

(in thousands of dollars)

<b>Assets</b>	<u>2008</u>	<u>2007</u>
<b>Regulated Assets</b>		
<b>Property, Plant and Equipment (Note 1)</b>		
<b>Gas Distributor Plant in Service - Net</b> (includes AFUDC capitalized during 2008 of \$29.08)	\$ 136,230	\$ 118,027
<b>Construction Work In Progress - Gas Distributor Plant</b>	<u>1,613</u>	<u>4,326</u>
<b>Total Property, Plant &amp; Equipment</b>	137,843	122,353
<b>Deferred Charges</b>		
<b>Deferred Development Costs - Net</b> (Note 2)	1,583	1,763
<b>Development O&amp;M Capitalized Costs - Net</b> (Note 3)	79,316	59,469
<b>Regulatory Deferral</b>	<u>132,878</u>	<u>117,909</u>
<b>Total Deferred Charges</b>	213,777	179,141
<b>Short Term Investments</b>	<u>3,048</u>	<u>3,088</u>
<b>Total Regulated Assets</b>	<u>354,668</u>	<u>304,582</u>
<b>Non-Regulated Assets</b>	<u>20,511</u>	<u>24,028</u>
<b>Total Assets</b>	<u>\$ 375,179</u>	<u>\$ 328,610</u>
<b>Liabilities and Partner's Equity</b>		
<b>Partner's Equity</b>	\$ 185,367	\$ 153,743
<b>Long-term Advances from Associates and Affiliates</b> (Note 4)	166,650	151,650
<b>Non-Regulated Liabilities</b>	<u>23,162</u>	<u>23,217</u>
<b>Total Liabilities and Equity</b>	<u>\$ 375,179</u>	<u>\$ 328,610</u>

**Rate Base for Regulatory Purposes – Note 10**  
**Capital Structure for Regulatory Purposes – Note 11**  
**Financial Statement Effects of Rate Regulation - Note 13**

**Enbridge Gas New Brunswick**  
Statement of Income for Regulatory Purposes  
For the year ended December 31, 2008

(in thousands of dollars)

	<u>2008</u>	<u>2007</u>
<b>Revenue</b>		
<b>Operating Revenue</b> (Note 5)		
Gas distribution	\$ 27,883	\$ 18,416
Miscellaneous	391	278
<b>Income from Investments</b>	119	235
<b>Allowance for Funds Used During Construction</b>	<u>29</u>	<u>70</u>
	28,422	18,999
<b>Installation Services</b>		
Revenue	13,117	18,286
Cost of goods sold	<u>(11,486)</u>	<u>(15,000)</u>
	<u>1,631</u>	<u>3,286</u>
<b>Total Revenue</b>	<u>30,053</u>	<u>22,285</u>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Operating and maintenance expenses (Note 6)	4,028	4,267
Deemed capital taxes (Note 7)	344	595
Bad debt expense	679	242
<b>Amortization of Property, Plant and Equipment</b>	4,992	3,622
<b>Municipal and Other Taxes</b>	960	816
<b>Interest on Amounts Due to Associates &amp; Affiliates and Other Interest</b> (Note 8)	10,681	9,219
<b>Amortization of Deferred Development Costs</b>	<u>2,133</u>	<u>1,558</u>
<b>Total Expenses</b>	<u>23,817</u>	<u>20,319</u>
<b>Income (Loss) before Extraordinary Items, Regulatory Deferral and Return on Rate Base</b>	6,236	1,966
<b>Regulatory Deferral</b>	<u>14,969</u>	<u>15,741</u>
<b>Regulated Return on Equity</b> (Note 9)	<u>\$ 21,205</u>	<u>\$ 17,707</u>

**Details of Affiliate Transactions** – Note 12

**Financial Statement Effects of Rate Regulation** - Note 13

(in thousands of dollars)

Note 1 **Property, Plant & Equipment**

			<u>2008</u>			<u>2007</u>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Net Book Value	Net Book Value	Rates of Amortization
<b>Property, plant &amp; equipment</b>							
General plant							
Computer hardware & software	\$ 2,964	\$ (2,026)	\$ 938	\$ 1,089	\$ 1,089	28.80%	
Tools and work equipment	650	(150)	500	448	448	5.30%	
Office furniture and equipment	458	(99)	359	360	360	4.40%	
Transportation	291	(9)	282	10	10	11.80%	
Communications	8	(7)	1	-	-	28.80%	
Leasehold improvements	462	(112)	350	274	274	1	
Subtotal	<u>4,833</u>	<u>(2,403)</u>	<u>2,430</u>	<u>2,181</u>	<u>2,181</u>		
Distribution plant							
Land	375	-	375	375	375	-	
Rights of way and easements	121	-	121	121	121	-	
Distribution mains	89,330	(9,293)	80,037	67,134	67,134	2.43%	
Street services	36,846	(4,390)	32,456	28,256	28,256	3.83%	
Meters and regulators	12,911	(1,825)	11,086	10,478	10,478	3.83%	
Stations	11,160	(1,435)	9,725	9,482	9,482	4.40%	
Subtotal	<u>150,743</u>	<u>(16,943)</u>	<u>133,800</u>	<u>115,846</u>	<u>115,846</u>		
Total plant in service	155,576	(19,346)	136,230	118,027	118,027		
Construction work in progress	1,613	-	1,613	4,326	4,326	-	
<b>Total property, plant &amp; equipment</b>	<u>\$ 157,189</u>	<u>\$ (19,346)</u>	<u>\$ 137,843</u>	<u>\$ 122,353</u>	<u>\$ 122,353</u>		

1 - Amortized over the term of the related leases.

(in thousands of dollars)

Note 2 **Deferred Development Costs - Net**

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value	Rates of Amortization
Franchise fee	\$ 1,500	\$ (700)	\$ 800	\$ 875	5.00%
Deferred carrying costs	2,687	(1,904)	783	888	20.00%
<b>Total deferred development costs, net</b>	<b>\$ 4,187</b>	<b>\$ (2,604)</b>	<b>\$ 1,583</b>	<b>\$ 1,763</b>	

Note 3 **Development O&M Capitalized Costs - Net**

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value	Rates of Amortization
Development O&M capitalized costs	\$ 84,236	\$ (4,920)	\$ 79,316	\$ 59,469	2.43%
<b>Total development O&amp;M capitalized costs, net</b>	<b>\$ 84,236</b>	<b>\$ (4,920)</b>	<b>\$ 79,316</b>	<b>\$ 59,469</b>	

(in thousands of dollars)

Note 4 **Long-term Advances from Associates and Affiliates**

	Issue Date	Maturity Date	Amount	2008 Cost of Debt			2007 Cost of Debt			
				Enbridge Inc.	EGNB	Regulated	Amount	Enbridge Inc.	EGNB	Regulated
Promissory Note	6-Feb-01	6-Feb-11	6,150	6.33%	7.95%	7.33%	6,150	6.33%	7.95%	7.33%
Promissory Note	28-Jun-02	29-Jun-12	6,000	6.08%	7.89%	7.08%	6,000	6.08%	7.89%	7.08%
Promissory Note	23-Dec-02	24-Dec-12	7,500	6.50%	7.41%	7.50%	7,500	6.50%	7.41%	7.50%
Promissory Note	26-Jun-03	27-Jun-13	13,000	5.62%	6.96%	6.62%	13,000	5.62%	6.96%	6.62%
Promissory Note	30-Dec-03	30-Dec-13	14,000	5.34%	7.14%	6.34%	14,000	5.34%	7.14%	6.34%
Promissory Note	23-Mar-04	24-Mar-14	14,000	5.33%	6.69%	6.33%	14,000	5.33%	6.69%	6.33%
Promissory Note	30-Nov-04	28-Nov-14	21,000	5.69%	6.95%	6.69%	21,000	5.69%	6.95%	6.69%
Promissory Note	30-Mar-05	30-Mar-15	6,000	5.04%	6.93%	6.04%	6,000	5.04%	6.93%	6.04%
Promissory Note	28-Dec-05	28-Dec-15	14,000	4.59%	6.53%	5.59%	14,000	4.59%	6.53%	5.59%
Promissory Note	19-Dec-06	19-Dec-16	21,000	4.82%	6.52%	5.82%	21,000	4.82%	6.52%	5.82%
Promissory Note	20-Dec-07	20-Dec-17	29,000	5.54%	5.85%	6.54%	29,000	5.54%	5.85%	6.54%
Promissory Note	19-Dec-08	19-Dec-13	15,000	6.85%	7.85%	7.85%	-			
Total long-term advances from associates and affiliates			\$ 166,650	5.42%	6.74%	6.42%	\$ 151,650	5.40%	6.94%	6.40%

The cost of debt of EGNB is limited to the actual borrowing rate of Enbridge Inc. plus 1%.

(in thousands of dollars)

Note 5 **Operating Revenue**

a. **Gas Distribution**

	2008			2007		
	Revenue	Customers	Throughput TJs	Revenue	Customers	Throughput TJs
Small general service (SGS)	\$ 6,707	7772	719	\$ 4,519	6877	587
General service (GS)	7,555	1348	866	4,986	1039	756
Contract general service (CGS)	7,698	246	976	5,572	227	934
Contract large general service (CLGS-LFO)	5,368	22	1,524	2,815	20	1,218
Contract large general service (CLGS-HFO)	399	7	924	401	7	953
Contract large volume off peak (CLVOPS)	44	1	5	88	1	17
Off peak service	112	17	28	35	17	6
<b>Total</b>	<b>\$ 27,883</b>	<b>9,413</b>	<b>5,042</b>	<b>\$ 18,416</b>	<b>8,188</b>	<b>4,469</b>

1 Terajoule (TJ) = 1,000 Gigajoules (GJ)

(in thousands of dollars)

Note 5 **Operating Revenue (continued)**

**b. Miscellaneous**

	<u>2008</u>	<u>2007</u>
Agent billing and collection	\$ 105	\$ 84
Other miscellaneous revenue	<u>286</u>	<u>194</u>
<b>Total miscellaneous</b>	<u>\$ 391</u>	<u>\$ 278</u>

**Details of Agent Billing and Collection Revenues**

(in dollars)

	<u>2008</u>	<u>2007</u>
Agent billing and collection		
Small general service (SGS)	\$ 81,648	\$ 62,396
General service (GS)	14,497	12,961
Contract general service (CGS)	7,141	7,025
Agent billing	-	
Contract large general service (CLGS-LFO)	572	613
Contract large general service (CLGS-HFO)	277	292
Contract large volume service (CLVOPS)	45	60
Off peak service (OPS)	<u>1,020</u>	<u>1,150</u>
<b>Total agent billing and collection revenue</b>	<u>\$ 105,200</u>	<u>\$ 84,497</u>

(in thousands of dollars)

Note 6 **Operating and Maintenance Expenses**

	<u>2008</u>	<u>2007</u>
Corporate management	\$ 1,177	\$ 1,500
Corporate administration	876	794
Financial reporting	602	476
Information technology	886	1,097
Regulatory & upstream	852	608
Sales & marketing	17,528	15,649
Distribution & maintenance	6,201	5,597
Customer care	983	908
Human resources	1,813	1,755
Gas transportation and related activities	<u>1,288</u>	<u>1,930</u>
<b>Total</b>	<u>32,206</u>	<u>30,314</u>
<b>Capitalized to:</b>		
Property, plant & equipment	6,593	4,602
Development O&M capitalized costs	<u>21,585</u>	<u>21,445</u>
<b>Total capitalized</b>	<u>28,178</u>	<u>26,047</u>
<b>Total</b>	<u>\$ 4,028</u>	<u>\$ 4,267</u>



(in thousands of dollars)

Note 7 **Deemed Capital Taxes**

	2008		2007	
	Federal	Provincial	Federal	Provincial
<b>Calculation of deemed taxable capital</b>				
Partnership capital for regulatory purposes	\$ 176,777	\$ 176,777	\$ 146,281	\$ 146,281
Retained earnings for regulatory purposes	8,590	8,590	7,462	7,462
Sub-total	<u>185,367</u>	<u>185,367</u>	<u>153,743</u>	<u>153,743</u>
Restricted term deposit	(3,048)	(3,048)	(3,088)	(3,088)
Intercompany receivable				
Long-term debt	166,650	166,650	151,650	151,650
Sub-total	<u>163,602</u>	<u>163,602</u>	<u>148,562</u>	<u>148,562</u>
Capital deduction	<u>(50,000)</u>	<u>(5,000)</u>	<u>(50,000)</u>	<u>(5,000)</u>
Total taxable capital	298,969	343,969	252,305	297,305
<b>Taxes</b>				
Federal	-	0.000%	-	0.000%
Provincial	<u>344</u>	0.100%	<u>595</u>	0.200%
<b>Total deemed capital taxes</b>	<u>\$ 344</u>		<u>\$ 595</u>	

(in thousands of dollars)

Note 8 **Interests on Amounts Due to Associates & Affiliates and Other Interest**

	<u>2008</u>	<u>2007</u>
Interest on long-term debt	\$ 10,468	\$ 8,695
Other interest expense	203	501
AIDC - allowance for funds used during construction (debt component)	10	23
<b>Total interest on amounts due to associates &amp; affiliates and other interest</b>	<u>\$ 10,681</u>	<u>\$ 9,219</u>

Note 9 **Regulated Returns on Equity**

	<u>2008</u>	<u>2007</u>
Regulated return on equity	\$ 21,186	\$ 17,660
AEDC - allowance for funds used during construction (equity component)	19	47
<b>Total regulated return on equity</b>	<u>\$ 21,205</u>	<u>\$ 17,707</u>

(in thousands of dollars)

Note 10 **Rate Base for Regulatory Purposes**

	<u>2008</u>	<u>2007</u>
<b>Property, plant &amp; equipment</b>		
Cost	\$ 155,576	\$ 132,761
Accumulated amortization	(19,346)	(14,734)
Net	<u>136,230</u>	<u>118,027</u>
<b>Deferred charges</b>		
Franchise fee, at cost	1,500	1,500
Accumulated amortization	(700)	(625)
Net	<u>800</u>	<u>875</u>
Development O&M capitalized costs	84,236	62,651
Accumulated amortization	(4,920)	(3,182)
Net	<u>79,316</u>	<u>59,469</u>
Deferred carrying costs, at cost	2,687	2,467
Accumulated amortization	(1,904)	(1,579)
Net	<u>783</u>	<u>888</u>
Deferral account	<u>132,878</u>	<u>117,909</u>
<b>Total deferred charges</b>	213,777	179,141
<b>Term deposit</b>	3,048	3,088
<b>Working capital allowance</b>	<u>2,242</u>	<u>2,929</u>
<b>Total rate base</b>	<u>\$ 355,297</u>	<u>\$ 303,185</u>
<b>Average rate base</b>	<u>\$ 325,932</u>	<u>\$ 271,697</u>

(in thousands of dollars)

Note 11 **Capital Structure for Regulatory Purposes**

	<u>2008</u>	<u>2007</u>
<b>Capital structure</b>		
Long-term debt	\$ 166,650	\$ 151,650
Equity	<u>185,367</u>	<u>153,743</u>
Total	<u><u>\$ 352,017</u></u>	<u><u>\$ 305,393</u></u>
<b>Capital structure percentage</b>		
Long-term debt	47.34%	49.66%
Equity	<u>52.66%</u>	<u>50.34%</u>
Total	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>
<b>Capital structure average percentage for regulatory purposes</b>		
Long-term debt	50.00%	50.00%
Equity	<u>50.00%</u>	<u>50.00%</u>
Total	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>
<b>Weighted cost of capital for regulatory purposes</b>		
Long-term debt	3.21%	3.20%
Equity	<u>6.50%</u>	<u>6.50%</u>
Total	<u><u>9.71%</u></u>	<u><u>9.70%</u></u>

(in thousands of dollars)

Note 12 **Details of Affiliate Transactions**

<b>Consulting and Services</b>	<b>Enbridge Operational Services</b>	<b>Enbridge Inc.</b>	<b>Enbridge Commercial Services Inc.</b>	<b>Enbridge Gas Distribution Inc.</b>	<b>Total Affiliate Consulting and Services</b>	<b>Total Consulting and Services</b>	<b>Affiliate Expenditure as Percent of Total Consulting and Services</b>
<b>For the fiscal year ended December 31, 2008</b>							
Corporate management	\$ -	\$ 38	\$ -	\$ 39	\$ 77	\$ 292	26%
Sales & marketing	-	-	-	-	-	1,137	0%
Human resources	-	37	-	23	60	187	32%
Distribution & maintenance	-	-	-	802	802	1,120	72%
Budget & regulatory	84	-	-	11	95	812	12%
Financial reporting	-	50	-	12	62	190	33%
Customer care	-	-	-	37	37	556	7%
Corporate administration	-	761	-	7	768	768	100%
Gas transportation & related	70	-	-	-	70	70	100%
Information technology	-	139	59	253	451	488	92%
<b>Total</b>	<b>\$ 154</b>	<b>\$ 1,024</b>	<b>\$ 59</b>	<b>\$ 1,184</b>	<b>\$ 2,422</b>	<b>\$ 5,619</b>	<b>43%</b>
<b>2007</b>							
Corporate management	\$ -	\$ 36	\$ -	\$ 59	\$ 95	\$ 504	19%
Sales & marketing	-	-	-	-	-	2,437	0%
Human resources	-	20	-	91	110	269	41%
Distribution & maintenance	-	-	-	718	718	1,310	55%
Budget & regulatory	191	-	-	3	194	703	28%
Financial reporting	-	92	-	23	115	217	53%
Customer care	-	-	-	-	-	456	0%
Corporate administration	-	601	-	5	606	606	100%
Gas transportation & related	-	-	-	-	-	-	0%
Information technology	-	132	99	223	454	518	88%
<b>Total</b>	<b>\$ 191</b>	<b>\$ 881</b>	<b>\$ 99</b>	<b>\$ 1,121</b>	<b>\$ 2,292</b>	<b>\$ 7,019</b>	<b>33%</b>

(in thousands of dollars)

**Note 13 Financial Statement Effects of Rate Regulation**

The Partnership's primary business activities are subject to regulation by the New Brunswick Energy and Utilities Board (EUB). The Partnership follows accounting practices prescribed by its regulator or stipulated in approved ratemaking decisions that are subject to examination and approval by the EUB and are similar to those being used by other enterprises in the gas distribution industry in Canada. Accordingly, the timing and recognition of certain revenues and expenses may differ from that otherwise expected under generally acceptable accounting principles (GAAP) applicable to non-regulated operations. The ultimate recoverability of costs incurred is dependant upon the approval of the EUB.

Rate regulation creates differences between the manner in which the Partnership accounts for transactions or events and how they would be accounted for if the Partnership was not subject to rate regulation. The differences in accounting treatment include:

The type of regulation in effect for the Partnership is a modified cost of service regulation. Unlike many similar utilities, the Partnership's rates are market, not cost, based. Rates charged by the Partnership are based on a targeted savings over alternate fuel for end use customers. This rate setting methodology has been approved by the EUB for use during the development period after which rates are expected to be cost based. The EUB has approved a regulatory deferral account to capture the difference between the Partnership's regulated revenues and its regulated cost of service which non-regulated enterprises would not recognize.

The EUB permits an "allowance for funds used during construction" (AFUDC) to be included in the rate base. In addition, AFUDC is included in the cost of property, plant and equipment and is depreciated over future periods as part of the total cost of the related asset, based on the expectation that depreciation expense, including the AFUDC component, will be approved for inclusion in future rates. AFUDC for rate-regulated entities includes both an interest component and a cost of equity component. In the absence of rate regulation, GAAP would permit the capitalization of only the interest component. Therefore, the initial set up of the equity component as a capitalized asset and the corresponding revenue recognized during the construction phase would not be recognized nor would the subsequent depreciation of the asset.

As prescribed by the EUB, the Partnership does not recognize gains and losses on the sale of natural gas in the statement of income and uses a purchase gas variance account to defer the gain or loss on sale. Non-regulated enterprises would normally account for the gain or loss in the statement of income or comprehensive income.

As allowed by the EUB, the Partnership capitalizes certain operating and maintenance expenses incurred during the Partnership's development period. Non-regulated enterprises may expense certain of these costs in the period incurred.

Enbridge Inc., on behalf of the Partnership, maintains a pension plan which provides defined benefit pension benefits. As prescribed by the EUB, contributions made to the plan are expensed as paid, consistent with the recovery of such costs in rates. Under GAAP, pension costs and obligations for defined benefit pension plans are determined using the projected benefit method and are charged to income as services are rendered.